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PAGE 01 STATE 133578

53

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E.O. 1 : DECLASSIFY ON RECEIPT

TAGS: P , SA, US

SUBJECT:NORTHROP RELATIONS WITH SAUDI ARABIA

1. FOLLOWING IS TEXT OF ARTICLE WHICH APPEARED IN FRONT
PAGE JUNE 7 WASHINGTON POST WRITTEN BY JIM HOAGLAND. ON
PAGE 9, WHICH CARRIES MOST OF TEXT, HEADING READS, QUOTE:
SHADOWS OF BRIBERY STORIES FALL ON SAUDIS' ROYAL FAMILY.
END QUOTE.

BEGIN TEXT: THE ADMISSION BY NORTHROP CORPORATION THAT IT
CHANNELED TWO BRIBES TO SAUDI ARABIAN OFFICIALS THROUGH A
LEADING SAUDI BUSINESSMAN THREATENS TO HAVE AN EXPLOSIVE
IMPACT ON THE SAUDI ROYAL FAMILY, WHICH IS STILL REELING
FROM THE ASSASSINATION OF KING FAISAL ON MARCH 25.

NORTHROP SAID IN A SPECIAL REPORT ISSUED THURSDAYNIGHT THAT
THE BUSINESSMAN, ADNAN KHASHOGGI, HAD ASKED FOR SEPARATE
PAYMENTS OF DOLS 250,000 AND DOLS 200,000 TO INFLUENCE TWO
SAUDI GENERALS TO AWARD ARMS CONTRACTS TO THE AMERICAN FIRM.

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PAGE 02 STATE 133578

KHASHOGGI'S CORPORATE OFFICE HERE ISSUED A STATEMENT STRONG-

LY DENYING THE "RUMORS AND SPECULATION ABOUT BRIBES OF SAUDI ARABIAN GENERALS" WHICH THE FINANCIER TERMED "AN INSULT TO MY COUNTRY."

KHASHOGGI IS CLOSELY CONNNECTED TO THE RULING FAMILY OF

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SAUDI ARABIA, AND THE BRIBERY CHARGES ARE CERTAIN TO STIR THE WIDESPREAD SPECULATION ABOUT HIS DEALINGS WITH KEY MEMBERS OF THE FAMILY.

IN THE PRIVATE CONVERSATIONS OF KNOWLEDGEABLE ARAB BUSINESSMEN, FOREIGN BANKERS, DIPLOMATS AND MILITARY EXPERTS THROUGHOUT THE MIDDLE EAST, KHASHOGGI IS REPEATEDLY REPORTED TO BE PARTICULARLY CLOSE TO THE KINGDOM'S NEW CROWN PRINCE, FAHD, AND FAHD'S BROTHER, PRINCE SULTAN, WHO, AS MINISTER OF DEFENSE, MAKES THE KEY DECISION ON WHICH WEAPONS SYSTEMS THE COUNTRY PURCHASES.

THE NORTHROP DISPUTE ALSO COMES AT A TIME OF GROWING CONCERN WITHIN SAUDI ARABIA OVER ALLEGATIONS OF CORRUPTION AND MORAL LOOSENESS WITHIN THE GOVERNMENT OF THAT RIGIDLY ASCETIC, ISLAMIC COUNTRY.

FAISAL'S SUCCESSOR, KING KHALID, HAS NOT CLEARLY ESTABLISHED HIS OWN AUTHORITY OVER THE KINGDOM, WHICH IS THE WORLD'S LARGEST PETROLEUM EXPORTER. THE TWO STRONGEST FORCES WITHIN THE REGIME ARE FAHD AND HIS HALF-BROTHER, PRINCE ABDULLAH.

ABDULLAH IS THE COMMANDER OF THE NATIONAL GUARD AND SECOND DEPUTY PRIME MINISTER UNDER FAHD. LIKE KHALID, ABDULLAH HAS ESTABLISHED A REPUTATION WITHIN THE COUNTRY FOR PIETY AND HONESTY.

WHILE THERE ARE NO SUGGESTIONS IN SAUDI ARABIA OF A POWER STRUGGLE BETWEEN ABDULLAH AND FAHD, THE CONFLICTING PERSONAL STYLES AND IDEAS OF THE TWO PRINCES DO CREATE AN ATMOSPHERE OF COMPETITION FOR INFLUENCE UNDER THE 61-YEAR-OLD KHALID, WHO HAS BEEN IN POOR HEALTH.

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PAGE 03 STATE 133578

AN UPROAR OVER THE ACCUSATIONS AGAINST KHASHOGGI COULD BE PARTICULARLY DAMAGING TO THE POSITION OF PRINCE SULTAN, THE DEFENSE MINISTER, WHO IS ESPECIALLY CLOSE TO FAHD AND WHO CONTROLS THE ONLY EFFECTIVE MILITARY BALANCE TO ABDULLAH'S NATIONAL GUARD.

SULTAN'S POSITION HAS ALREADY BEEN WEAKENED IN THE AFTERMATH OF THE SLAYING OF KING FAISAL BY A NEPHEW, PRINCE

FAISAL IBN MUSAED. ACCORDING TO REPORTS CIRCULATING IN RIYADH AMONG WELL-INFORMED SAUDIS AND AT WESTERN EMBASSIES IN JEDDAH, A SISTER OF THE ASSASSIN PERSONALLY WARNED SULTAN TWICE THAT PRINCE FAISAL WAS PLANNING TO KILL THE KING.

SULTAN EVIDENTLY DID NOT TAKE THE REPORTED WARNING SERIOUSLY, AND THE YOUTH CARRIED OUT HIS THREAT BY SHOOT-

- -

ING FAISAL TO DEATH IN HIS GUEST PALACE.

A 5-MAN BOARD COMPOSED OF THREE ROYAL FAMILY MEMBERS, AN INTELLIGENCE EXPERT AND A CRIMINAL INVESTIGATOR CONTINUE TO INTERROGATE THE 28-YEAR-OLD PRINCE ON THE SLAYING, HIGHLY-PLACED SAUDI SOURCES REPORT. THESE SOURCES FEEL THAT THE LENGTHY INTERROGATION AND THE INCLUSION OF AN INTELLIGENCE EXPERT INDICATE THAT THE ROYAL FAMILY IS NOT COMPLETELY SATISFIED WITH ITS OWN PUBLIC EXPLANATION THAT THE KILLER ACTED ENTIRELY ALONE.

THE NORTHROP REPORT MADE NO SUGGESTION THAT THE PAYMENTS TO KHASHOGGI IN 1972 AND 1973 INVOLVED ANY MEMBERS OF THE ROYAL FAMILY. IT SAID KHASHOGGI TOLD THE COMPANY THAT THE INTENDED RECIPIENTS WERE TWO GENERALS, WHO THE CORPORATION REFUSED TO NAME SINCE IT COULD NOT VERIFY THAT THEY HAD ACTUALLY RECEIVED THE PAY-OFFS.

THE BRIBES WERE TO BE PAID TO INDUCE THE GENERALS NOT TO BLOCK THE SALE OF NORTHROP'S F-5E FIGHTER PLANE TO SAUDI ARABIA, ACCORDING TO THE COMPANY'S STATEMENT, WHICH WAS MADE FOUR DAYS BEFORE NORTHROP OFFICIALS ARE TO APPEAR BEFORE THE SENATE SUBCOMMITTEE ON MULTINATIONAL CORPORATIONS.

THE SUBCOMMITTEE IS ALREADY PROBING A DOLS 45 MILLION LIMITED OFFICIAL USE

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PAGE 04 STATE 133578

COMMISSION PAID BY NORTHROP TO KHASHOGGI FOR A NEW DOLS 750 MILLION SALE OF ABOUT 60-F-5ES TO THE SAUDIS.

KHASHOGGI IS ONE OF THE MIDDLE EAST'S MOST FLAMBOYANT BUSINESSMEN. THROUGH THE VARIOUS ARMS OF HIS TRIAD CORPORATION, WHICH IS INCORPORATED IN LUXEMBOURG AND WHICH HAS MAIN OFFICES IN BEIRUT, RIYADH, PARIS AND LONDON, HE CONTROLS A MULTINATIONAL FINANCIAL COMPLEX THAT HE ONCE VALUED AT DOLS 400 MILLION.

KHASHOGGI WAS THE KEY SAUDI AGENT ON RAYTHEON CORPORATION'S SALE OF HAWK SURFACE-TO-AIR MISSILES, AND HE NOW OWNS RAYTHEON'S MIDDLE EAST MARKETING BUSINESS. HIS FIRMS HAVE ALSO ACTED AS AGENTS FOR LOCKHEED AIRCRAFT, WHICH SOLD STARFIGHTER F-104 JETS; BRITISH AIRCRAFT WHICH SOLD

LIGHTNING FIGHTER BOMBERS; FOR FRENCH ARMS MANUFACTURERS
AND FOR CHRYSLER AND FIAT IN SAUDI ARABIA.

HIS OTHER BUSINESS INTERESTS RANGE ACROSS MORE THAN 40
SEPARATE COMPANIES, SCATTERED FROM SINGAPORE WHERE HE HAS
A TRANSPORTATION COMPANY, TO RIO DE JANEIRO, WHERE TRIAD
HAS COMMERCIAL HOLDINGS.

THE MASSIVE ARMS PURCHASES THAT SAUDI ARABIA IS MAKING
FROM ITS DOLS 30 BILLION-A-YEAR OIL REVENUE HAS CREATED

A BUSINESS ATMOSPHERE IN WHICH LARGE COMMISSIONS ARE DE-
MANDED AS A MATTER OF ROUTINE, ACCORDING TO ARMS SALESMEN
IN THE MIDDLE EAST.

ONE SALESMAN WHOSE FIRM HAS DEALT WITH KHASHOGGI ASSERT-
ED THAT THE AMERICAN EMBASSY IN JEDDAH HAD PROVIDED HIS
COMPANY WITH KHASHOGGI'S NAME AS AN INFLUENTIAL SALES
AGENT. KHASHOGGI'S NAME REPORTEDLY ALSO APPEARS ON A
COMPUTERIZED LIST OF AGENTS AVAILABLE TO BUSINESSMEN AT
THE COMMERCE DEPARTMENT IN WASHINGTON. END TEXT. KISSINGER

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